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CHONG KIN GROUP HOLDINGS LIMITED

創建集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

**(1) CONDITIONAL SHARE BUY-BACK BY
RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF
CHONG KIN GROUP HOLDINGS LIMITED
TO BUY-BACK UP TO 120,000,000 SHARES FOR CANCELLATION
IN EXCHANGE FOR THE ADJUSTED KINGDOM SHARES;
AND
(2) POSSIBLE MAJOR TRANSACTION IN RESPECT OF
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
KINGDOM HONOUR HOLDINGS LIMITED**

Financial Adviser to the Company



紅日資本有限公司

RED SUN CAPITAL LIMITED

THE BUY-BACK OFFER

On 28 April 2023, the Board resolved that the Buy-back Offer will be made by Red Sun Capital, for and on behalf of the Company, to buy-back for cancellation of up to 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the date of this announcement, subject to the Shareholders' approval. It is proposed that each Share bought-back will be exchanged for one Adjusted Kingdom Share under the Buy-back Offer. Shares bought-back will be cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. Accordingly, the issued share capital of the Company will be decreased by the nominal value of the Shares being bought-back.

Immediately after the Capitalisation and based on the financial position of the Kingdom Group as at 31 March 2023, assuming that there is no other change to the financial position of the Kingdom Group, the unaudited consolidated net asset value of the Kingdom Group would amount to approximately HK\$199.85 million, which shall be equal to the value of the Buy-back Offer, and is equivalent to approximately HK\$1.67 per Share based on the Maximum Number of 120,000,000 Shares.

The value of the Buy-back Offer of HK\$1.67 per Share represents:

- (i) a premium of approximately 153.03% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 149.25% over the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.67;
- (iii) a premium of approximately 149.25% over the average of the closing prices per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.67;
- (iv) a premium of approximately 203.64% over the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 September 2022 of approximately HK\$0.55 per Share; and
- (v) a premium of approximately 215.09% over the audited consolidated net asset value per Share attributable to the Shareholders as at 31 March 2022 of approximately HK\$0.53 per Share.

IRREVOCABLE UNDERTAKING

Prestige Rich, the controlling Shareholder which directly held 609,100,000 Shares, representing approximately 55.6% of the total issued share capital of the Company as at the date of this announcement, and is wholly-owned by Mr. Zhang Jinbing, the Chairman of the Board and an executive Director, has irrevocably and unconditionally undertaken to the Company that it will not accept the Buy-back Offer.

Mr. Zhang Jinbing, the Chairman and executive Director, who directly held 24,500,000 Shares, representing approximately 2.2% of the total issued share capital of the Company as at the date of this announcement, has irrevocably and unconditionally undertaken to the Company that it will not accept the Buy-back Offer.

INDICATION TO ACCEPT THE BUY-BACK OFFER

JLB Capital, a company wholly-owned by the Subsidiary Director and is interested in 21,860,781 Shares, representing approximately 2.0% of the total issued share capital of the Company as at the date of this announcement, has indicated to the Company that it will accept the Buy-back Offer should it proceed.

TAKEOVERS CODE AND BUY-BACK CODE IMPLICATIONS

Based on the Maximum Number of Shares subject to the Buy-back Offer taking into account the Irrevocable Undertaking, it is expected that full acceptance of the Buy-back Offer will not result in change in control of the Company and will not result in acquisition of voting rights by any Shareholder that gives rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Codes. The Company intends to maintain the listing status of the Shares on the Stock Exchange.

The Buy-back Offer constitutes a share buy-back by general offer by the Company pursuant to the Buy-back Code. A share buy-back by general offer must be approved by a majority of the votes cast by shareholders who do not have a material interest in the Buy-back Offer which is different from the interests of all other Shareholders, in attendance in person or by proxy at a general meeting of the shareholders duly convened and held to consider the Buy-back Offer. Such general meeting shall be convened by a notice of meeting which is accompanied by the Offer Document. If the Independent Shareholders do not approve the Buy-back Offer at the EGM, the Buy-back Offer will lapse.

LISTING RULES IMPLICATIONS

Upon full acceptance of the Buy-back Offer, the entire shareholding in Kingdom will be in effect disposed of by the Company to the Shareholders who accepts the Buy-back Offer. As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Buy-back Offer, if accepted in full, are more than 25% but all of them are less than 75%, the Buy-back Offer shall constitute a major transaction for the Company which is subject to the reporting, announcement and the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

EGM

The EGM will be held for the Shareholders to consider, and if thought fit, to approve the Buy-back Offer and the transactions contemplated thereunder.

The following parties, namely, (i) Prestige Rich, which directly held approximately 55.6% in the issued share capital of the Company as at the date of this announcement; (ii) Mr. Zhang Jinbing, who directly held approximately 2.2% in the issued share capital of the Company as at the date of this announcement; and (iii) JLB Capital, which has given its indication to accept the Buy-back Offer, is interested in approximately 2.0% in the issued share capital of the Company as at the date of this announcement, will abstain from voting on the proposed resolution(s) approving the Buy-back Offer and the transactions contemplated thereunder at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen, all being independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Buy-back Offer.

An independent financial adviser will be appointed by the Company (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Buy-back Offer in accordance with Rule 2.1 of the Takeovers Code. An announcement on such appointment will be made as soon as practicable.

OFFER DOCUMENT

The Offer Document, together with the accompanying form of acceptance, containing, among other things, (i) the terms and conditions of the Buy-back Offer; (ii) the expected timetable of the Buy-back Offer; (iii) information of the Group and the Kingdom Group; (iv) the recommendation from the Independent Board Committee with respect to the Buy-back Offer; (v) the advice of the Independent Financial Adviser to the Independent Board Committee with respect to the Buy-back Offer; (vi) a notice convening the EGM; and (vii) other information as required by the Takeovers Code, the Buy-back Code and the Listing Rules, will be despatched to the Shareholders within thirty-five (35) days of the date of this announcement or such later date as the Executive may approve.

Shareholders and potential investors of the Company should note that the Buy-back Offer is subject to the satisfaction of the Condition, and therefore may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company, and, if they are in doubt as to the action they should take, they should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Shareholders are strongly advised not to form a view on the Buy-back Offer and make their decision unless and until they have received and read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser containing their respective advice and recommendation to the Independent Shareholders in respect of the Buy-back Offer which will be included in the Offer Document to be despatched to the Shareholders.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice.

On 28 April 2023, the Board resolved that the Buy-back Offer will be made by Red Sun Capital, for and on behalf of the Company, to buy-back for cancellation of up to 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the date of this announcement, subject to the Shareholders' approval. It is proposed that each Share bought-back will be exchanged for one Adjusted Kingdom Share under the Buy-back Offer.

Principal terms of the Buy-back Offer are set out below.

THE BUY-BACK OFFER

Red Sun Capital will make the Buy-back Offer to the Shareholders on behalf of the Company to buy-back up to 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the date of this announcement, on the following basis:

For each Share bought-back one Adjusted Kingdom Share

The Buy-back Offer will be extended to all Shareholders in accordance with the Takeovers Code.

Save for the condition stated in the section headed “Condition of the Buy-back Offer” below, the Buy-back Offer is not conditional upon a minimum number of Shares being tendered for acceptance.

Shares bought-back will be cancelled and will not be entitled to any dividend declared on any record date set subsequent to the date of their cancellation. Accordingly, the issued share capital of the Company will be decreased by the nominal value of the Shares being bought-back.

The Shareholders may accept the Buy-back Offer in respect of any number of their Shares up to their entire shareholding. All Shares validly tendered will be bought-back to the extent that the aggregate number of Shares bought-back pursuant to the Buy-back Offer will not exceed the Maximum Number, i.e. 120,000,000 Shares. If the number of Shares validly tendered exceeds the Maximum Number, the number of Shares to be bought-back from each accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number. Further details are described under the section headed “Acceptance of the Buy-back Offer” below.

As at the date of this announcement, the Company has 1,095,388,000 Shares in issue. The Company has no outstanding securities, options, warrants or derivatives which are convertible into or which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Condition of the Buy-back Offer

The Buy-back Offer is conditional upon the obtaining of the approval by a majority of the votes cast by Shareholders in attendance in person or by proxy at the EGM.

In accordance with Note 2 to Rule 30.1 of the Takeovers Code, the Company should not invoke any condition so as to cause the Buy-back Offer to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the Company in the context of the Buy-back Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Company must publish an announcement when the Buy-back Offer becomes or is declared unconditional in all respects. The Buy-back Offer must also remain open for acceptance for at least fourteen (14) days after the Buy-back Offer becoming unconditional.

Shareholders and potential investors of the Company should note that the Buy-back Offer is subject to the satisfaction of the Condition, and therefore may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company and, if they are in doubt as to the action they should take, they should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Value of the Buy-back Offer

As at 31 March 2023, the Kingdom Group recorded unaudited consolidated net liabilities of approximately HK\$98.90 million. Immediately after the proposed capitalisation of the amount due from the Kingdom Group to the Company of approximately HK\$298.75 million as equity (further details are set out in the section headed “Financial information of the Kingdom Group” below) and based on the financial position of the Kingdom Group as at 31 March 2023, assuming that there is no other change to the financial position of the Kingdom Group, the unaudited consolidated net asset value of the Kingdom Group would amount to approximately HK\$199.85 million, which shall be equal to the value of the Buy-back Offer, and is equivalent to approximately HK\$1.67 per Share based on the Maximum Number of 120,000,000 Shares.

As at the date of this announcement, Kingdom has one (1) Kingdom Share in issue. With a view to facilitate the Buy-back Offer, Kingdom shall (i) conduct the Kingdom Share Sub-division; (ii) increase the number of authorised Adjusted Kingdom Shares to 120,000,000 Adjusted Kingdom Shares of US\$0.01 each; (iii) complete the Capitalisation; and (iv) increase its issued shares to 120,000,000 Adjusted Kingdom Shares. Such procedures for the capital reorganisation of Kingdom are expected to be completed within seven (7) business days after the EGM. On the basis of one Share exchanging for one Adjusted Kingdom Share under the Buy-back Offer, the Maximum Number of 120,000,000 Shares will be exchanged for the entire enlarged issued share capital of Kingdom based on full acceptance of the Buy-back Offer.

The Kingdom Share Sub-division is conditional upon the compliance with the relevant legal procedures and requirements under the laws of BVI including but not limited to the amendment of the memorandum of association of Kingdom, and the Listing Rules to effect the Kingdom Share Sub-division.

The basis of the Buy-back Offer of one Share in exchange for one Adjusted Kingdom Share is determined with reference to the unaudited net asset value of the Kingdom Group as at 31 March 2023 taking into account the Capitalisation.

Comparison of value

The value of the Buy-back Offer of HK\$1.67 per Share represents:

- (i) a premium of approximately 153.03% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 149.25% over the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.67;
- (iii) a premium of approximately 149.25% over the average of the closing prices per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.67;
- (iv) a premium of approximately 203.64% over the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 September 2022 of approximately HK\$0.55 per Share; and
- (v) a premium of approximately 215.09% over the audited consolidated net asset value per Share attributable to the Shareholders as at 31 March 2022 of approximately HK\$0.53 per Share.

Confirmation of financial resources

As at the date of this announcement, Kingdom is wholly-owned by the Company. Assuming the Buy-back Offer is accepted by the Shareholders in full, the entire issued share capital of Kingdom will be required for satisfying the consideration for the full acceptance of the Buy-back Offer.

Red Sun Capital, being the financial adviser to the Company, is satisfied that there are sufficient Adjusted Kingdom Shares for the Company upon the Kingdom Share Sub-division becoming effective to satisfy the consideration for full acceptance of the Buy-back Offer and the relevant stamp duty.

Irrevocable Undertaking

Prestige Rich, the controlling Shareholder which directly held 609,100,000 Shares, representing approximately 55.6% of the total issued share capital of the Company as at the date of this announcement and is wholly-owned by Mr. Zhang Jinbing, the Chairman of the Board and an executive Director, has irrevocably and unconditionally undertaken to the Company that it will not accept the Buy-back Offer.

Mr. Zhang Jinbing, the Chairman and executive Director, who directly held 24,500,000 Shares, representing approximately 2.2% of the total issued share capital of the Company as at the date of this announcement, has irrevocably and unconditionally undertaken to the Company that it will not accept the Buy-back Offer.

Indication to accept the Buy-back Offer

JLB Capital, a company wholly-owned by the Subsidiary Director and is interested in 21,860,781 Shares, representing approximately 2.0% of the total issued share capital of the Company as at the date of this announcement, has indicated to the Company that it will accept the Buy-back Offer should it proceed and it intends to utilise the resources of Hartman (a wholly-owned subsidiary of Kingdom) and its establishment in the Grenada Project to collaborate with the other business plans of the Subsidiary Director and continue business development in Grenada. It also intends to continue to negotiate with the Grenada Government in respect of the Land Cost.

Highest and lowest prices of the Shares

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice. During the six-month period immediately prior to 28 April 2023, being the commencement date of the offer period under the Takeovers Code and the date of this announcement, the closing prices of the Shares as quoted on the Stock Exchange was HK\$0.660 per Share, which was the same closing price per Share as quoted on the Stock Exchange on 13 May 2022.

Acceptance of the Buy-back Offer

The Shareholders may accept the Buy-back Offer in respect of some or all of the Shares held by them. If valid acceptances are received for exact number of the Maximum Number, all Shares validly accepted will be taken up. If valid acceptances are received for more than the Maximum Number, the total number of the Shares to be taken up by the Company from each Shareholder will be determined in accordance with the following formula, rounded down to the nearest whole number of Shares with the intention of avoiding Shares being held by accepting Shareholders in fractional entitlements:

$$\frac{A}{B} \times C$$

- A: the number of the Shares tendered by the relevant individual Shareholder under the Buy-back Offer
- B: the aggregate number of the Shares tendered by all the Shareholders under the Buy-back Offer
- C: 120,000,000 Shares (being the Maximum Number of Shares for which the Buy-back Offer is made)

As a result, it is possible that if a Shareholder tenders all his/her/its Shares to the Company under the Buy-back Offer, not all of such Shares will be bought-back. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractional entitlements will be conclusive and binding on all accepting Shareholders. On the basis of one Share exchanging for one Adjusted Kingdom Share, no fraction of the Shares will be resulted.

Effect of accepting the Buy-back Offer

Acceptance of the Buy-back Offer will be irrevocable and will not be capable of being withdrawn. By accepting the Buy-back Offer, the relevant Shareholders will sell their respective Shares to the Company free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of the Offer Document.

All of the Adjusted Kingdom Shares used to settle the Buy-back Offer are and will be free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of the Offer Document.

Shareholders are strongly advised not to form a view on the Buy-back Offer and make their decision unless and until they have received and read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser containing their respective advice and recommendation to the Independent Shareholders in respect of the Buy-back Offer which will be included in the Offer Document to be despatched to the Shareholders.

Closing of the Buy-back Offer

The Buy-back Offer will be open for acceptances for at least twenty-one (21) days from the date of the Offer Document. Upon the Condition has been satisfied, the Buy-back Offer will be declared unconditional in all respects and the Buy-back Offer shall remain open for acceptance for at least 14 days in compliance the Takeovers Code before the Buy-back Offer is closed.

Settlement of consideration

Consideration of the Buy-back Offer will be settled by way of exchanging the Adjusted Kingdom Shares held by the Company, and new share certificates of such Adjusted Kingdom Shares will be posted by ordinary post to the Shareholders accepting the Buy-back Offer at his/her/its own risk as soon as possible, but in any event within seven (7) business days following the close of the Offer.

Stamp duty

Buyers' and sellers' *ad valorem* stamp duty arising in connection with transfer of the Shares will be payable by the Company at the rate of HK\$1.30 for every HK\$1,000 or part thereof.

Given that Kingdom is a company incorporated in BVI where its register of members is located and maintained, no Hong Kong stamp duty is payable on any transfer of the Adjusted Kingdom Shares.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Buy-back Offer. None of the Company, the Directors, parties acting in concert with any of them, Red Sun and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Buy-back Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Buy-back Offer.

Availability of the Buy-back Offer

The Company intends to make available the Buy-back Offer to all Shareholders, including those who are residents outside Hong Kong. The availability of the Buy-back Offer to persons who are not residents in Hong Kong may be affected by the laws of the relevant jurisdictions. Persons who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdictions.

In the event that the receipt of the Offer Document by the overseas Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Offer Document, subject to the Executive's consent, will not be despatched to such overseas Shareholders. The Company will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

INTENTION OF THE COMPANY

The Group is principally engaged in the following operating segments, namely, (i) the provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects; and (ii) the provision of loan finance business in Hong Kong.

The Company intends to buy-back and cancel up to 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the date of this announcement. In the event that the Buy-back Offer has not been fully taken up, the Company would remain to be a holder of the Adjusted Kingdom Shares after the close of the Buy-back Offer. In that case, the Company may consider to maintain or dispose of such remaining shareholding interest in Kingdom subject to the then circumstances.

The Company intends that, after the closing of the Buy-back Offer, the Group will continue to carry on its existing principal businesses including the concrete placing business and the loan finance business. With a view to comply with the requirements under Rule 14.54 of the Listing Rules and fulfil the resumption conditions as set out in the Resumption Guidance, the Group has appointed a sponsor in December 2022 to explore a possible acquisition of new business which, if consummated, may constitute a reverse takeover under the Listing Rules (the “**Resumption Plan**”). As at the date of this announcement, the sponsor is still performing due diligence on the potential acquisition target. If the Resumption Plan proceeds, the Company may have major changes to the business of the Group (including redeployment of fixed assets of the Group) in the foreseeable future, and may involve significant changes to the continued employment of the employees of the Group. If the Resumption Plan does not proceed, the Company does not expect to introduce any major changes to the business of the Group (including any redeployment of fixed assets of the Group) in the foreseeable future, nor involve any significant changes to the continued employment of the employees of the Group.

Shareholders and potential investors of the Company should note that the Resumption Plan is subject to, among others, the results of due diligence of the sponsor and the approval of the Stock Exchange, and therefore may or may not proceed.

REASONS FOR AND BENEFITS OF THE BUY-BACK OFFER

In December 2020 and April 2021, the Company conducted two subscription exercises and raised net proceeds in the aggregate amount of approximately HK\$298.1 million planned principally for the Group’s potential acquisition or investment opportunities. The Subscribers (including JLB Capital) were interested in the potential business development contemplated by the Group, in particular, the Grenada Project, which is a real estate development project involving the development of a university town equipped with students’ accommodation and related comprehensive commercial amenities in the surroundings, and thus invested in the Company.

However, the Company was of the view that it would be difficult for the Group to raise sufficient funding for the Grenada Project in light of the continued suspension of trading of the Shares since 13 May 2022. In view of the uncertainty of the circumstances surrounding the Group, it would be difficult, if not impractical, for the Group to commit to the time frame required by the Grenada Government for the development of the Grenada Project, which was two years upon receipt of the land title of the Land. As a result, the Grenada Government did not grant the land title of the Land to Hartman, and the Grenada Project did not have any progress. As announced by the Company on 26 November 2021, Hartman and the Grenada

Government entered into a termination agreement to terminate the acquisition of the Land (the “**Termination**”), and the Grenada Government acknowledged to return the payment of the Land Cost in the sum of US\$20,000,000 (equivalent to approximately HK\$156,000,000) to Hartman. As such, the Group’s segment on real estate development in Grenada had been discontinued during the financial year ended 31 March 2022.

It came to the knowledge of the Company that subsequent to the Termination, the Subsidiary Director (the sole beneficial owner of JLB Capital and a director of Kingdom and Hartman respectively) intended to continue the real estate development project in Grenada. The Company considered that there might be potential conflict of interests for the Subsidiary Director acting as director of Kingdom and Hartman responsible for recovering the Land Cost from the Grenada Government on the one hand and his personal business interest on the other hand.

In June 2022, four Shareholders (including JLB Capital), each being a Subscriber at the material time approached the Company to consider a way out for their investment, in view of the discontinuation of the real estate development business in Grenada by the Group. They requested the Company to repurchase a total of 103,019,390 Shares, being the aggregate of their respective shareholding in the Company, at the same subscription prices under their respective relevant subscription agreements. Subsequently, in August 2022, the four Shareholders made a further request to the Company to exchange their shareholding in the Company with the Land. However, as the Land was not owned or controlled by the Group, the Company declined their request. For information purposes only, as at the date of this announcement, the other two remaining Subscribers have not approached the Company nor expressed any intention about the above requests.

While acknowledging the requests by the four Shareholders, the Company considered all Shareholders should be treated even-handedly. As the trading in the Shares has been suspended since 13 May 2022 and the Stock Exchange may cancel the listing of the Shares if the Company cannot satisfy the resumption conditions imposed by the Stock Exchange satisfactorily by 12 November 2023, the Company considered that the Buy-back Offer would be an alternative means in resolving the matter, which on one hand could resolve the potential conflict of interests of the Subsidiary Director and on the other hand provide all the Shareholders (including the four Shareholders) an opportunity to opt for holding the Adjusted Kingdom Shares instead of the Shares should they so wish. As at the date of this announcement, save for JLB Capital, the aforementioned other three Shareholders have not indicated their intention as to whether each of them will accept or reject the Buy-back Offer.

Considering that the Grenada Project has been terminated and recovering the Land Cost from the Grenada Government is not only time and energy consuming but also diverting the attention of the Company in focusing on its core concrete placing business, it would be in the Company’s interest to conclude this discontinued business segment which will not be further pursued by the Group. Furthermore, a general election was held in Grenada on 23 June 2022 and a new Prime Minister was elected, who named members for a new cabinet. Subsequently, a new president of the Senate and a new Speaker of the House of Representatives were elected

to the Parliament of Grenada in August 2022. As a result of the transfer of government, it is expected that the refund of the Land Cost would be further delayed and may be subject to further negotiations. As at the date of this announcement, the Company has not received any refund of the Land Cost from the Grenada Government. Partial provision for loss allowance had already been made for the receivables from the Grenada Government for the financial year in 2022. If the refund has to be further delayed, further loss allowance may need to be provided which could adversely impact on the Group's financial performance. Considering the aforesaid and that the Group's involvement in the Grenada Project had been terminated, the Board considers that it would also be in the Company's interest to conclude this discontinued business segment by way of the Buy-back Offer.

Although different Shareholders would have different investment criteria, objectives, risk appetite and profiles, the Board would like to draw the Shareholders' attention to the following characteristics, including potential advantages and associated risks, of holding Adjusted Kingdom Shares (being shares of an unlisted company) as compared to the Shares (being listed on the Main Board of the Stock Exchange but suspended in trading since 13 May 2022 and up to the date of this announcement):

- (i) the Buy-back Offer represents a window of opportunity for Shareholders who are attracted by the business and prospects of the Kingdom Group, further details of which are set out under section headed "INFORMATION ON THE KINGDOM GROUP" in this announcement, over the Remaining Group to exchange one existing Share held into one Adjusted Kingdom Share without the need to pay any cash consideration, subject to the terms and conditions of the Buy-back Offer as set out under the section headed "THE BUY-BACK OFFER" in this announcement;
- (ii) the value of the Buy-back Offer of approximately HK\$1.67 per Share represents a premium over (a) the closing price per Share on the Last Trading Day; (b) various average closing price per Share; (c) audited consolidated net asset value per Share attributable to the Shareholders as at 31 March 2022; and (d) unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 September 2022, as set out under the section headed "THE BUY-BACK OFFER – Comparison of value". On this basis and only taking the effects of the Buy-back Offer into account, Shareholders who do not take up the Buy-back Offer and continue to be holder of the Share(s) will be left with a lower net asset value per Share after the completion of the Buy-back Offer;
- (iii) Kingdom was incorporated in the BVI and shall continue to be subject to the compliance requirements under the relevant BVI Business Companies Act after the close of the Buy-back Offer. The Directors consider that BVI has laws and regulations in place that governing the protection of shareholders' rights. The memorandum and articles of association of Kingdom will be set out in the Offer Document to be despatched to the Shareholders;

- (iv) despite the Board's continuous efforts and subject to the fulfilment of the resumption conditions as set out in the Resumption Guidance, uncertainties remain on whether and when the Shares will resume trading in the future. If the trading of the Shares remains suspended or the Shares are delisted at a future date, Shareholders may encounter difficulties in realising their investment in the Shares.

On the contrary, if the resumption conditions as set out in the Resumption Guidance are fulfilled within the prescribed deadline and trading in the Shares are resumed, Shareholders can trade the Shares on the Stock Exchange. With a view to fulfil the Resumption Guidance, the Group has appointed a sponsor in December 2022 to explore a possible acquisition of new business(es) of which, if consummated, may constitute a possible reverse takeover under the Listing Rules. However, as the possible reverse takeover may or may not proceed, and trading in the Shares may or may not be resumed prior to the prescribed deadline, Shareholders should take note of these uncertainties;

- (v) given the Adjusted Kingdom Shares are not listed on any stock exchange, Shareholders should note that they will encounter difficulties in realising their investment in the Adjusted Kingdom Shares as there may not be a readily available market for the trading of the Adjusted Kingdom Shares and that the price of Adjusted Kingdom Shares will not be as transparent as the trading price of the listed securities on the Stock Exchange;
- (vi) as at the date of this announcement, the Kingdom Group has not received any refund of the Land Cost from the Grenada Government. Having considered the status at the relevant time, partial provision for loss allowance had been made by the Kingdom Group for the receivables from the Grenada Government. Based on information available to the Board and after reasonable enquiries, it remains uncertain as to the exact timing and amount of the refund of the Land Cost from the Grenada Government as at the date of this announcement. Hence, there is a risk that the refund of the Land Cost may not be timely and that there is also a risk of Kingdom not receiving the Land Cost in its entire amount or at all; and
- (vii) in the event that Kingdom ceased to be a subsidiary of the Company upon completion of the Buy-back Offer, its operations and control will be determined by Kingdom's own board of directors appointed by the majority shareholder(s) of Kingdom at the relevant time, and its business and affairs will no longer be subject to the compliance with the Listing Rules and other rules and regulations which a company listed on the Stock Exchange would otherwise need to comply with. On this basis, equity investment in Kingdom may be perceived to bear a relatively higher risk attributable to a less stringent compliance requirements going forward.

On the other hand, as Kingdom would no longer be subject to the compliance with the Listing Rules, any transactions it may contemplate in the future could be conducted in a more efficient manner without the necessity to follow the procedures and approval requirements under the Listing Rules.

The Board considers that the Buy-back Offer is in the interests of the Shareholders as a whole as it provides an option for the Shareholders to choose to either (i) retain their investment in the Company as it strives to fulfil the Resumption Guidance by the deadline for resumption, which may involve a reverse takeover of the Company and new business(es) may be introduced to the Group; or (ii) to exit their investment in the Company and participate in the business opportunities in Grenada through their interest in Kingdom. Assuming that the shareholders of Kingdom do not vote to replace the director(s) of or appoint new director(s) to Kingdom and Hartman subsequent to the completion of the Buy-back Offer, the management of the group of companies of Kingdom is expected to remain with the Subsidiary Director, who is an entrepreneur with business connections in Grenada. The Buy-back Offer is in essence a management decision in the circumstances with an aim to advance the matters and to conclude the discontinued real estate development business in Grenada while treating all the Shareholders even-handedly.

Having considered the aforesaid, the Company therefore proposes the Buy-back Offer and the Board considers the Buy-back Offer (i) to be fair to all Shareholders as all Shareholders are subject to the same terms of and given the same right to accept or reject the Buy-back Offer; (ii) could resolve the potential conflict of interests of the Subsidiary Director; (iii) could provide an option to the Shareholders should they wish to pursue any business opportunity in Grenada and/or to continue to negotiate with the Grenada Government for the refund of the Land Cost; and (iv) would allow the Group to conclude the discontinued business segment in Grenada and focus its efforts and resources on its core businesses as well as the Resumption Plan.

INFORMATION ON THE KINGDOM GROUP

Kingdom was incorporated in the BVI with limited liability on 8 July 2019 and is a wholly-owned subsidiary of the Company as at the date of this announcement. Kingdom is an investment holding company and does not have any business operation. As at the date of this announcement, save for the investment in Hartman, Kingdom does not have other material assets.

Hartman was incorporated in Grenada with limited liability on 10 November 2020 and is a wholly-owned subsidiary of Kingdom. Hartman was principally engaged in real estate development business in Grenada. Following the Termination and as at the date of this announcement, Hartman does not have any business activities. Its major assets mainly comprise receivables in connection to the Land Cost to be returned by the Grenada Government and the cash deposited in the banks in Grenada.

Financial information of the Kingdom Group

The unaudited consolidated financial information of the Kingdom Group for the two years ended 31 March 2022 and 2023 is set out as follows:

	For the year ended 31 March 2022	For the year ended 31 March 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	–
Loss before tax	(90,342)	(5,069)
Loss after tax	(90,342)	(5,069)

Note: The above consolidated financial information includes the financial information of Hartman Education Service Limited (“**Hartman Service**”), which was a wholly-owned subsidiary of Kingdom before its disposal on 28 February 2022 and was engaged in provision of immigration consultancy services. The losses of the Kingdom Group for the year ended 31 March 2022 included the loss recorded by Hartman Service up to the date of disposal of approximately HK\$6.6 million and a gain on disposal of Hartman Service of approximately HK\$8.1 million.

The unaudited loss before tax and loss after tax of the Kingdom Group as disclosed above (the “**Kingdom Unaudited Losses**”) constitute profit forecast under Rule 10 of Takeovers Code and shall be reported on by the Company’s financial adviser and auditors or accountants in accordance with Rule 10.4 of the Takeovers Code. The disclosure of the Kingdom Unaudited Losses are made to fulfil the requirement under Rule 14.58(7) of the Listing Rules. However, given the time constraints, the Company has practical difficulties in meeting the reporting requirements under Rule 10.4 of the Takeovers Code. Accordingly, the disclosure of Kingdom Unaudited Losses does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors are advised to exercise caution when placing reliance on the Kingdom Unaudited Losses in assessing the merits and demerits of the Share Buy-back.

Under Rule 10.4 and Practice Note 2 of the Takeovers Code, if a profit forecast is first published in an announcement, it must be repeated in full, together with the reports from the Company’s financial advisers and auditors or accountants on the profit forecast, in the next document to be sent to the Shareholders, being the Offer Document. However, as the audited financial statements of the Kingdom Group for the three years ended 31 March 2023 will be included in the Offer Document, the requirements to report on the Kingdom Unaudited Losses under Rule 10.4 of the Takeovers Code will no longer apply.

Set out below is the unaudited consolidated financial position of the Kingdom Group as at 31 March 2023:

HK\$'000

Non-current assets

Property, plant and equipment	434
	434

Current assets

Trade and other receivables	135,809
Cash and bank balances	155,898
	291,707

Current liabilities

Trade and other liabilities	(30,122)
Amount due to the Company	(360,923)
	(391,045)

Net liabilities

(98,904)

Since the amount due to the Company was considered to be partially equity capital contribution made by the Company in Hartman for the development of the Grenada Project, the Company proposed to capitalise the amount of approximately HK\$298.75 million as equity after the EGM, i.e. the Capitalisation. Upon the completion of the Capitalisation and based on the financial position of the Kingdom Group as at 31 March 2023, the adjusted consolidated net asset value of the Kingdom Group would be approximately HK\$199.85 million.

POSSIBLE FINANCIAL EFFECTS OF THE BUY-BACK OFFER

As at the date of this announcement, Kingdom is a direct wholly-owned subsidiary of the Company. Upon the completion of the Buy-back Offer, which is subject to the approval from the Shareholders, the Shares repurchased by the Company under the Buy-back Offer will be cancelled. Consequently, the total number of issued Shares will be reduced, and the effective shareholding in the Company of those Shareholders who choose not to accept the Buy-back Offer will increase. However, no proceeds will be raised by the Company as a result of the Buy-back Offer.

Assuming that the Buy-back Offer has been accepted in full and based on information available as at the date of this announcement, the Board estimated that the Group will recognise a loss of approximately HK\$127.64 million as a result of the Buy-back Offer (the “**Estimated Loss**”), which is calculated by reference to the difference between (i) the estimated net asset value of Kingdom of approximately HK\$199.85 million as at 31 March 2023 after the Capitalisation, being the aggregate of (a) consolidated net liabilities of Kingdom approximately HK\$98.90 million as at 31 March 2023; and (b) the proposed capitalisation of the amount due to the Company by the Kingdom Group of approximately HK\$298.75 million after the completion of the Kingdom Share Sub-division; (ii) the market value of 120,000,000 Shares to be repurchased by the Company under the Buy-back Offer in the amount of approximately HK\$75.36 million based on the valuation of 100% equity interest of the Company as at 31 March 2023 as appraised by the Independent Valuer, which was based on a combination of market approach and asset-based approach; and (iii) the relevant expenses, including professional fees. Shareholders should note that the possible financial effects are for reference only and the actual amount of gain or loss as a result of the Buy-back Offer is subject to the review by the auditors of the Company and may be different from the above. Upon completion of the Buy-back Offer and assuming that the Buy-back Offer has been accepted in full, the Group will cease to hold any equity interest in Kingdom and Kingdom will cease to be a subsidiary of the Company and the financial results and position of Kingdom will no longer be consolidated into the financial statements of the Group.

The Estimated Loss constitutes a profit forecast under Rule 10 of the Takeovers Code and shall be reported on by the Company’s financial adviser and auditors or accountants in accordance with the requirements under Rule 10.4 of the Takeovers Code. The disclosure of the Estimated Loss is made to fulfil the disclosure requirement pursuant to Rule 14.60(3)(a) of the Listing Rules. However, given the time constraints, the Company has practical difficulties in meeting the requirements under Rule 10.4 of the Takeovers Code. Accordingly, the disclosure of the Estimated Loss does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors are advised to exercise caution when placing reliance on the Estimated Loss in assessing the merits and demerits of the Buy-back Offer.

In accordance with Rule 10.4 and Practice Note 2 of the Takeovers Code, the Estimated Loss will be repeated in full, together with the reports from the Company’s financial advisers and auditors or accountants on the Estimated Loss, in the next document to be sent to the Shareholders, namely the Offer Document.

The valuation report on the 100% equity interest of the Company as at 31 March 2023 prepared by the Independent Valuer and a report by the Company’s financial adviser on the valuation are included in Appendix I and II to this announcement, respectively, in accordance with Rule 11 of the Takeovers Code.

SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted (a) by the Subscribers only; or (b) in full and taking into account the Irrevocable Undertaking:

Name of the Shareholder	As at the date of this announcement		Upon closing of the Buy-back Offer assuming only the Subscribers have accepted the Buy-back Offer and taking into account the Irrevocable Undertaking		Upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted in full and taking into account the Irrevocable Undertaking	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Prestige Rich (Note 1)	609,100,000	55.6	609,100,000	61.5	609,100,000	62.4
Mr. Zhang Jinbing	24,500,000	2.2	24,500,000	2.5	24,500,000	2.5
The Subscribers	105,745,390	9.7	–	–	78,266,446	8.1
– JLB Capital (Note 2)	21,860,781	2.0	–	–	16,180,049	1.7
– Fortune Box International Limited (Note 3)	38,300,000	3.5	–	–	28,347,382	2.9
– Wise Industries Group Limited	37,682,609	3.4	–	–	27,890,426	2.9
– Power Partner Capital Limited	5,176,000	0.5	–	–	3,830,967	0.4
– Yu Chuanming	1,726,000	0.2	–	–	1,277,482	0.1
– Mao Yuan Capital Limited	1,000,000	0.1	–	–	740,140	0.1
Other public Shareholders (Note 4)	356,042,610	32.5	356,042,610	36.0	263,521,554	27.0
Total	1,095,388,000	100.0	989,642,610	100.0	975,388,000	100.0

Notes:

- Prestige Rich is wholly and beneficially owned by Mr. Zhang Jinbing, who is the Chairman of the Board and an executive Director.
- JLB Capital is wholly and beneficially owned by the Subsidiary Director, who was the co-Chairman of the Board, an executive Director and the Chief Executive Officer of the Company before his resignation with effect from 29 November 2021.
- Fortune Box International Limited is wholly and beneficially owned by Mr. Qiu Peiyuan, who was an executive Director before his resignation with effect from 28 February 2022.
- These public shareholders include Dr. Li Yifei, who was an independent non-executive Director before his resignation with effect from 28 February 2022.

SHAREHOLDING STRUCTURE OF KINGDOM

For illustration purpose only, set out below is the shareholding structure of Kingdom (i) as at the date of this announcement; and (ii) upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted (a) by the Subscribers only; or (b) in full and taking into account the Irrevocable Undertaking:

Name of the shareholder	As at the date of this announcement		Upon completion of the capital reorganisation of Kingdom		Upon closing of the Buy-back Offer assuming only the Subscribers have accepted the Buy-back Offer and taking into account the Irrevocable Undertaking		Upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted in full and taking into account the Irrevocable Undertaking	
	<i>Number of Kingdom Shares</i>		<i>Number of Adjusted Kingdom Shares</i>		<i>Number of Adjusted Kingdom Shares</i>		<i>Number of Adjusted Kingdom Shares</i>	
		%		%		%		%
The Company	1	100.0	120,000,000	100.0	14,254,610	11.9	-	-
The Subscribers	-	-	-	-	105,745,390	88.1	27,478,944	22.9
- JLB Capital	-	-	-	-	21,860,781	18.2	5,680,732	4.7
- Fortune Box International Limited	-	-	-	-	38,300,000	32.0	9,952,618	8.3
- Wise Industries Group Limited	-	-	-	-	37,682,609	31.4	9,792,183	8.2
- Power Partner Capital Limited	-	-	-	-	5,176,000	4.3	1,345,033	1.1
- Yu Chuanming	-	-	-	-	1,726,000	1.4	448,518	0.4
- Mao Yuan Capital Limited	-	-	-	-	1,000,000	0.8	259,860	0.2
Other public Shareholders	-	-	-	-	-	-	92,521,056	77.1
Total	1	100.0	120,000,000	100.0	120,000,000	100.0	120,000,000	100.0

In the event that only the Subscribers have accepted the Buy-back Offer, the Company would hold approximately 11.9% equity interest of Kingdom after the close of the Buy-back Offer. In this case, the Company may consider to maintain or dispose of such remaining shareholding interest in Kingdom subject to the then circumstances.

FURTHER AGREEMENTS OR ARRANGEMENTS

As at the date of this announcement:

- (i) save for the Irrevocable Undertaking and the Indication, the Company and parties acting in concert with it have not received any irrevocable commitment to accept or reject the Buy-back Offer;
- (ii) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or Adjusted Kingdom Shares and which might be material to the Buy-back Offer;
- (iii) save as disclosed in the section headed “Condition of the Buy-back Offer” above, the Buy-back Offer will not be subject to any other condition;
- (iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the Adjusted Kingdom Shares and which might be material to the Buy-back Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (v) there are no agreements or arrangements to which the Company or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Buy-back Offer; and
- (vi) there is no understanding, arrangement or agreement which constitutes a special deal (as defined in Rule 25 of the Takeovers Code) in respect of the Buy-back Offer between the Company and its ultimate beneficial owners and any party acting in concert with any of them on the one hand, and the Subscribers or any parties acting in concert with any of them on the other hand.

TAKEOVERS CODE AND BUY-BACK CODE IMPLICATIONS

Based on the Maximum Number of Shares subject to the Buy-back Offer taking into account the Irrevocable Undertaking, it is expected that full acceptance of the Buy-back Offer will not result in change in control of the Company and will not result in acquisition of voting rights by any Shareholder that gives rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Codes. The Company intends to maintain the listing status of the Shares on the Stock Exchange.

The Buy-back Offer constitutes a share buy-back by general offer by the Company pursuant to the Buy-back Code. A share buy-back by general offer must be approved by a majority of the votes cast by shareholders who do not have a material interest in the Buy-back Offer which is different from the interests of all other Shareholders, in attendance in person or by proxy at a general meeting of the shareholders duly convened and held to consider the Buy-back Offer. Such general meeting shall be convened by a notice of meeting which is accompanied by the Offer Document. If the Independent Shareholders do not approve the Buy-back Offer at the EGM, the Buy-back Offer will lapse.

LISTING RULES IMPLICATIONS

Upon full acceptance of the Buy-back Offer, the entire shareholding in Kingdom will be in effect disposed of by the Company to the Shareholders who accepts the Buy-back Offer. As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Buy-back Offer, if accepted in full, are more than 25% but all of them are less than 75%, the Buy-back Offer shall constitute a major transaction for the Company which is subject to the reporting, announcement and the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

EGM

The EGM will be held for the Shareholders to consider, and if thought fit, to approve the Buy-back Offer and the transactions contemplated thereunder.

The following parties, namely, (i) Prestige Rich, being the controlling Shareholder which directly held approximately 55.6% in the issued share capital of the Company as at the date of this announcement; (ii) Mr. Zhang Jinbing, being the Chairman and executive Director who directly held approximately 2.2% in the issued share capital of the Company as at the date of this announcement; and (iii) JLB Capital, which has given its indication to accept the Buy-back Offer and is interested in approximately 2.0% in the issued share capital of the Company as at the date of this announcement, will abstain from voting on the proposed resolution(s) approving the Buy-back Offer and the transactions contemplated thereunder at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen, all being independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Buy-back Offer.

An independent financial adviser will be appointed by the Company (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Buy-back Offer in accordance with Rule 2.1 of the Takeovers Code. An announcement on such appointment will be made as soon as practicable.

OFFER DOCUMENT

The Offer Document, together with the accompanying form of acceptance, containing, among other things, (i) the terms and conditions of the Buy-back Offer; (ii) the expected timetable of the Buy-back Offer; (iii) information of the Group and the Kingdom Group; (iv) the recommendation from the Independent Board Committee with respect to the Buy-back Offer; (v) the advice of the Independent Financial Adviser to the Independent Board Committee with respect to the Buy-back Offer; (vi) a notice convening the EGM; and (vii) other information as required by the Takeovers Code, the Buy-back Code and the Listing Rules, will be despatched to the Shareholders within thirty-five (35) days of the date of this announcement or such later date as the Executive may approve.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Kingdom Share(s)”	the ordinary share(s) of par value of US\$0.01 each in the share capital (both issued and unissued) of Kingdom immediately upon the Kingdom Share Sub-division becoming effective
“associate”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“business day”	has the meaning ascribed thereto under the Takeovers Code
“Buy-back Code”	the Hong Kong Code on Share Buy-backs issued by SFC (as amended and supplemented from time to time)
“Buy-back Offer”	the conditional securities exchange offer by Red Sun Capital on behalf of the Company to buy-back up to 120,000,000 Shares for cancellation on the terms and conditions to be set out in the Offer Document and in compliance with the Takeovers Code and the Buy-back Code
“BVI”	the British Virgin Islands
“Capitalisation”	the proposed capitalisation of the amount due to the Company by the Kingdom Group of HK\$298,750,000 after the completion of the Kingdom Share Sub-division
“Company”	Chong Kin Group Holdings Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 1609)
“Condition”	the condition of the Buy-back Offer, which is set out in the section headed “Condition of the Buy-back Offer” in this announcement

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Buy-back Offer and the transactions as contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of such Executive Director
“Grenada Government”	the Government of Grenada
“Grenada Project”	the real estate development project planned to be developed on the Land
“Group”	the Company and its subsidiaries
“Hartman”	Hartman Education Enterprise Limited, a company incorporated in Grenada with limited liability and a wholly-owned subsidiary of the Kingdom
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen, which has been established to advise the Independent Shareholders in respect of the Buy-back Offer
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Buy-back Offer
“Independent Shareholder(s)”	Shareholders other than those who are required to abstain from voting at the EGM on the resolution approving the Buy-back Offer and the transactions contemplated thereunder, including any Shareholder(s) who has a material interest in the Buy-back Offer which is different from the interests of all other Shareholders
“Independent Valuer”	Vincorn Consulting and Appraisal Limited, an independent valuer

“Indication”	the indication given by JLB Capital to accept the Buy-back Offer
“Irrevocable Undertaking”	the irrevocable undertaking dated 16 February 2023 given by Prestige Rich and Mr. Zhang Jinbing to the Company not to accept the Buy-back Offer
“JLB Capital”	JLB Capital Limited, a company incorporated in BVI with limited liability, which is wholly-owned by the Subsidiary Director
“Kingdom”	Kingdom Honour Holdings Limited (國耀控股有限公司), a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Kingdom Group”	Kingdom and Hartman
“Kingdom Share(s)”	ordinary share(s) of US\$1.0 each of Kingdom
“Kingdom Share Sub-division”	(i) each of the authorised but unissued shares of par value of US\$1.0 each of Kingdom be sub-divided into one hundred (100) Adjusted Kingdom Shares of par value of US\$0.01 each; and (ii) each authorised and issued share of US\$1.00 be sub-divided into 100 shares of US\$0.01 each so that the authorised shares of Kingdom be increased from 50,000 to 5,000,000
“Land”	a parcel of land which is situate at Mt. Hartman in the parish of Saint George in the State of Grenada containing by admeasurement approximately 148 acres
“Land Cost”	the amount of US\$20,000,000 (equivalent to approximately HK\$156,000,000) paid by Hartman to the Grenada Government for the acquisition of the Land
“Last Trading Day”	12 May 2022, being the last trading day of the Shares on the Stock Exchange prior to the suspension of trading in the Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maximum Number”	the maximum number of 120,000,000 Shares being repurchased in exchange for Adjusted Kingdom Shares under the Buy-back Offer
“Offer Document”	the offer document to be issued by the Company in connection with the Buy-back Offer in accordance with the Takeovers Code, the Buy-back Code and Listing Rules

“Prestige Rich”	Prestige Rich Holdings Limited, the controlling Shareholder which is interested in 609,100,000 Shares, representing approximately 55.6% of the total issued share capital of the Company as at the date of this announcement, and is wholly-owned by Mr. Zhang Jinbing, the Chairman of the Board and an executive Director
“Red Sun Capital”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in relation to the Buy-back Offer
“Remaining Group”	the Group excluding the Kingdom Group
“Resumption Guidance”	the resumption guidance issued by the Stock Exchange to the Company on 2 June 2022
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	subscriber(s) of the Shares pursuant to the subscriptions conducted by the Company in December 2020 and April 2021, respectively, who are also holders of Shares as at the date of this announcement, namely, JLB Capital, Fortune Box International Limited, Wise Industries Group Limited, Power Partner Capital Limited, Yu Chuanming and Mao Yuan Capital Limited
“Subsidiary Director”	Mr. Ma Chao, an ex-executive Director who resigned on 29 November 2021, the current director of Kingdom and Hartman, and the sole beneficial owner of JLB Capital
“Takeovers Code”	the Code on Takeovers and Mergers issued by SFC (as amended and supplemented from time to time)
“United States”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“US\$” United States dollars, the lawful currency of the United States

“%” per cent.

By order of the Board
Chong Kin Group Holdings Limited
Zhang Jinbing
Chairman

Hong Kong, 28 April 2023

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zhang Jinbing and Mr. Leung Chi Kwong Joe; and three independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

APPENDIX I – THE VALUATION REPORT OF VALUE OF 100% EQUITY INTEREST OF THE COMPANY PREPARED BY THE INDEPENDENT VALUER

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with the valuation of the Company. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited

Units 1602–4, 16/F

FWD Financial Centre

No. 308 Des Voeux Road Central

Hong Kong



The Board of Directors

Chong Kin Group Holdings Limited

Room 6807–8, 68th Floor

Central Plaza, 18 Harbour Road

Wanchai, Hong Kong

28 April 2023

1. PREAMBLES

1.1. Instruction

Vincorn Consulting and Appraisal Limited (“**Vincorn**”) are pleased to submit our valuation report, which has been prepared for Chong Kin Group Holdings Limited (the “**Instructing Party**”, or the “**Company**”, together with its subsidiaries, the “**Chong Kin Group**” or the “**Group**”) for transaction purposes.

The valuation has been carried out in accordance with the service agreement (the “**Service Agreement**”) signed between the Instructing Party and Vincorn. The extent of our professional liability to you is outlined in the Service Agreement.

1.2. Subject

Valuation of 100% equity interest of Chong Kin Group Holdings Limited (1609.HK, a listed company on the Stock Exchange, principally engaged in operating segments of provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects.

Kingdom Honour Holdings Limited (“**Kingdom**” together with its subsidiaries, the “**Kingdom Group**”), a wholly owned subsidiary of the Company, does not possess any operating business, and its asset mainly consists of cash and receivable due from Government of Grenada.

1.3. Valuation Date

The valuation date is 31 March 2023.

1.4. Valuation Basis

The valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable.

The valuation would be carried out on market value basis.

Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

1.5. Currency

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollar (“**HKD**”).

1.6. General Reservations

The purposes of the valuation do not alter the approach of the valuation.

A valuation is a prediction of price, not a guarantee. By necessity, it requires valuers to make subjective judgements that, even when logical and appropriate, may differ from those made by a purchaser or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Business values can change substantially, even over a short period of time, so our opinion of values could differ significantly if the date of valuation was to change. If you wish to rely on our valuation for any other dates you should consult us first. We recommend that you keep the valuation under frequent review. You should not rely on this report unless any reference to the legal titles has been verified as correct by your legal advisers.

1.7. Statement of Independence

We hereby certify that we have neither present nor prospective interest in the Group, their respective subsidiaries and associated companies or the result reported. In addition, our directors are neither directors, supervisors nor officers of the Group.

In the course of our valuation, we are acting independently of all parties. Our fees are agreed on a lump-sum basis and are not correlated with the results of our valuation.

2. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the market value of 100% Equity Interest of the Group as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for public documentation purpose.

We understand that our valuation report may be included in the Company's public document(s) and disclosed to other parties including its directors, shareholders, auditors and the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). Nonetheless, we will not be liable to any parties other than the addressee of the valuation report.

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and/or its representative (together referred to as the "**Management**").

In the course of our valuation, the following processes have been conducted to evaluate the information provided by the Management:

- Discussion with the Management and obtained relevant information and operational information in respect of the Group;
- Examined the relevant basis and assumptions of the financial information in respect of the Industrial Complex provided by the Management;
- Conducted appropriate researches to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and

- Arriving at our valuation opinion based on the assumptions stated in this report and on information provided by the Management.

On-site inspection has been made as part of the agreed-upon procedures for this valuation task.

4. SOURCES OF INFORMATION

In conducting our valuation of the Group, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management:

- Background of the Group, the Kingdom Group and relevant corporate information;
- Historical financial information of the Group for the year ended 31 March 2022 as extracted from the Group’s audited financial statements from the published annual report of the Company for the year ended 31 March 2022;
- Historical financial information of the Group for the six months ended 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022, which sets out the condensed consolidated financial statements prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants, and the accounting policies adopted in preparation of the consolidated financial statements are consistent with those adopted in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2022;
- Consolidated financial statements of the Kingdom Group for the year ended 31 March 2023 and respective breakdown as of 31 March 2023 prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and the accounting policies adopted in preparation of the abovementioned consolidated financial statements of the Kingdom Group are consistent with those adopted in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2022; and
- S&P Capital IQ database and other reliable sources.

For further independent work performed by us, please refer to paragraph headed “Assessment on Assets and Liabilities” in this report below.

5. VALUATION ASSUMPTION AND RATIONALE

For the purpose of determining the market value of the Group, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Group;
- We have assumed that the conditions in which the Group is operated, and which are material to revenue and costs of the businesses of the Group will have no material change;
- We have assumed that the financial information of the Group and the Kingdom Group, has been prepared on a reasonable basis after due and careful consideration by the Management;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Group;
- Except for the licenses and permits related to the Grenada Project, which has been terminated in 2021, we have assumed that all licenses and permits that is essential for the operation of the Group can be obtained and are renewable upon expiry; and
- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

6. VALUATION METHODOLOGY

The stock trading of the Group on the Stock Exchange has been suspended since 13 May 2022, the price quotation then cannot be deemed as fair reference for the market value of the company as at the Valuation Date.

6.1. Selection of Valuation Approach

The business entity of the Group mainly consists of two parts: (i) the core business of construction segment of concrete placing and other ancillary services as a subcontractor for building and infrastructure related projects (the “**Core Business**”) and (ii) the holding of 100% equity interest of the non-operating entity Kingdom Group.

There are three generally accepted approaches to assess market values, namely, Market Approach, Asset-based Approach and Income Approach. Each of these approaches is appropriate in one or more circumstances. Whether to adopt a particular approach will be determined with reference to the most common adoption when similar business is being valued.

Market Approach

Market Approach values assets based on comparison with recent market transactions of selling similar assets. Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative.

As advised by the Management, the Group are expected to sustain its existing Core Business in the foreseeable future. Therefore, we have considered that market approach is the most optimal approach for valuing the Core Business.

Although the interim condensed financial statements of the Group for the six months ended 30 September 2022 have not been reviewed by the Company's auditor, they have been published and prepared in accordance with the same accounting policies as adopted in the preparation of the audited consolidated financial statements of the Group for the year ended 31 March 2022. On this basis, our valuation opinion will not be affected.

The Market Approach was not adopted for the valuation of Kingdom Group as it had no core operating history in recent years, there were no suitable multiples can be applied in the valuation analysis.

Asset-based Approach

Asset-based Approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. This approach is not considered to be an appropriate approach to valuing income-generating assets as it generally does not capture the future expected returns to the asset.

We have considered but decided against Asset-based Approach as this approach disregards the future profit potentials of the Core Business. Therefore, asset-based Approach is not appropriate to estimate the equity interest of the Core Business.

For Kingdom Group, we have considered that Asset-based approach was appropriate for valuation, given that participants would be able to recreate an asset with substantially the same utility as Kingdom Group, without regulatory or legal restrictions. It has assumed that the market value of Kingdom Group will be equal to the sum of each of the components of assets and liabilities are individually valued, their sum represents the value of Kingdom Group.

Income Approach

Income Approach values the asset by reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realizing those benefits.

We have also considered that the income approach is not optimal to value the Core Business nor Kingdom Group as this approach involves financial forecast information and the adoption of more assumptions than the other two approaches, not all of which can be easily justified or ascertained.

6.2. Valuation of the market value of the Core Business by Market Approach

The premise behind the guideline public company method (“**Guideline Public Company Method**”) under Market Approach is that the prices of publicly traded stocks in the same or a similar industry provide objective evidence as to the values at which investors are willing to buy and sell the interest of the companies in that industry. In applying Guideline Public Company Method, we compute a valuation multiple for various benefit streams for each guideline public company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the Core Business being valued. This valuation multiple is then applied to the Core Business to arrive at an estimate of value for the appropriate ownership interest. Since the purpose of the valuation is to determine the equity interest, the valuation multiples are based on equity value. A valuation multiple represents a ratio that uses a comparable company’s market value as at the Valuation Date as the numerator and the comparable company’s operating results (or financial position) as the denominator.

The use of P/E ratio is considered appropriate for this valuation since it reflects the significant business and profitability of the Core Business.

Once we have selected certain guideline public companies and made the necessary adjustments to their financial information when needed, the next step is to determine and compute the appropriate valuation multiples, and the calculation method is the same for all selected guideline public companies. The process of computing the valuation multiple in this case consists of the following procedures:

- (a) Determination of the equity value for each guideline public companies as at the Valuation Date. The equity value for each guideline public companies, which is the market capitalization, is made reference to S&P Capital IQ as at the Valuation Date.
- (b) Determination of the measure of operating result, which are net income as at the valuation date. This measure of operating result represents the denominator of the valuation multiple.

The application of this method depends on the selection of guideline public companies that are similar enough to the underlying business of the Core Business so as to provide a meaningful comparison.

Due care was exercised in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular company is relevant. In selecting the Guideline Public Companies, we started with the description of the potential companies, in terms of lines of business, financial results and other criteria. In order to comprise a representative set of guideline public companies to derive the valuation result, certain criteria have to be set to ensure similarity between the guideline public companies and the Core Business.

Firstly, our focus is to identify listed companies which engaged in delivering construction and engineering services since the principal business of the Core Business is mainly to providing concrete construction services and these companies should be listed in the stock exchange. As a result, listed companies with similar business exposure in relation to the principal activity of the Core Business are identified. We consider this selection basis is reasonable and the sample list is fair and representative. As a result, the comparable companies were selected with reference to the criteria (the “**Criteria**”) as follows:

- The comparable companies derive revenue mainly in construction and engineering services;
- The comparable companies are listed on the Hong Kong Stock Exchange;
- The comparable companies have sufficient operating histories; and
- The financial information of the comparable companies is available to the public.

We then identified seven guideline public companies to be comparable to the Core Business based on the Criteria, and calculated P/E ratio for each guideline public companies. The following is the exhaustive list of the guideline public companies that we have selected based on the Criteria.

Company Name	Ticker	Business Description
BOSA Technology Holdings Limited	SEHK: 8140	BOSA Technology Holdings Limited, an investment holding company, provides mechanical splicing services to the reinforced concrete construction industry in Hong Kong. The company is involved in processing reinforcing bars and connecting reinforcing bars by couplers. It serves various contractors and subcontractors in the public and private sector projects. The company was founded in 2012 and is headquartered in Kwun Tong, Hong Kong.
Landrich Holding Limited	SEHK: 2132	Landrich Holding Limited, an investment holding company, undertakes construction engineering works in Hong Kong. The company is involved in the construction of trunk roads, carriageways, bridges, and tunnels, as well as modification of existing roads that include landscaping works, laying of pipes, and manhole construction. It also engages in the clearance of construction site, demolition of existing structures, reduction and stabilization of existing slopes, and associated work; and establishment of fill tank for the storage of public fill materials arising from construction activities. In addition, the company is involved in the construction of buildings, primarily structural steel works, and transportation and heavy lifting works, as well as construction of reinforced concrete structures. Further, it provides contracting and subcontracting services for construction works. The company was founded in 1993 and is headquartered in Tsuen Wan, Hong Kong. Landrich Holding Limited is a subsidiary of New Brilliance Enterprises Limited.
GC Construction Holdings Limited	SEHK: 1489	GC Construction Holdings Limited operates as a wet trades contractor in Hong Kong. It undertakes plastering, tile laying, brick laying, floor screeding, and marble works for public or private residential and commercial properties. The company was formerly known as Chan Kiu Engineering Holdings Limited. The company was founded in 2005 and is headquartered in Kowloon, Hong Kong. GC Construction Holdings Limited operates as a subsidiary of Evolve Billion Limited.

Company Name	Ticker	Business Description
Wing Chi Holdings Limited	SEHK: 6080	Wing Chi Holdings Limited, an investment holding company, engages in the foundation and site formation works, and machinery leasing activities in Hong Kong. It undertakes excavation and lateral support, pile caps construction, and site formation works. It serves contractors and subcontractors in public and private sector projects. The company was founded in 2001 and is headquartered in Tsuen Wan, Hong Kong. Wing Chi Holdings Limited is a subsidiary of Colourfield Global Limited.
Dragon Rise Group Holdings Limited	SEHK: 6829	Dragon Rise Group Holdings Limited, an investment holding company, undertakes foundation works as a subcontractor in Hong Kong. Its activities include excavation and lateral support works, and pile cap construction works; and disposal of excavated materials from piling. The company also provides ancillary services, including dismantling of shoring, site formation, steel fixing, and site clearance, as well as trades in construction materials. It offers its services primarily for the construction of commercial and residential buildings. The company was founded in 1993 and is headquartered in Sha Tin, Hong Kong.
Sheung Yue Group Holdings Limited	SEHK: 1633	Sheung Yue Group Holdings Limited, an investment holding company, provides foundation services to private and public sectors in Hong Kong and Macau. The company's foundation works include piling construction, ELS works, pile cap construction, and site formation, as well as provides ancillary services, including loading test and construction machinery leasing services. The company was founded in 1970 and is headquartered in Kowloon, Hong Kong. Sheung Yue Group Holdings Limited is a subsidiary of Creative Elite Global Limited.

Company Name	Ticker	Business Description
Shun Wo Group Holdings Limited	SEHK: 1591	Shun Wo Group Holdings Limited, an investment holding company, undertakes various foundation works in Hong Kong. It undertakes excavation and lateral support, socketed H-piling and mini-piling, and pile caps construction works. The company was founded in 1995 and is headquartered in Sai Wan Ho, Hong Kong. Shun Wo Group Holdings Limited is a subsidiary of May City Holdings Limited.

Source: S&P Capital IQ and Financial Reports of the Comparable Companies

The above Comparable Companies, together with the Core Business, are similarly subject to fluctuations in the economy and performance of construction and engineering services related business among other factors. Thus, we consider they are confronted with similar industry risks and returns.

Detailed calculation of the valuation multiples of the Comparable Companies are as follows:

Stock Ticker	Currency	Market Capitalization¹ (million)	Trailing Twelve Months Recurring Net Profits³ (million)	P/E Ratio²
SEHK: 8140	HKD	96.00	15.01	6.40 x
SEHK: 2132	HKD	392.00	26.06	15.04 x
SEHK: 1489	HKD	475.00	38.89	12.22 x
SEHK: 6080	HKD	80.30	5.23	15.36 x
SEHK: 6829	HKD	218.40	15.03	14.54 x
SEHK: 1633	HKD	83.54	9.56	8.74 x
SEHK: 1591	HKD	100.00	8.68	11.52 x
			Median	<u>12.22 x</u>

Notes:

1. The figures are rounded to the nearest million.
2. The adjusted P/E ratios are calculated by dividing market capitalizations of the Comparable Companies as at the Valuation Date by its respective adjusted earnings of the Comparable Companies, the trailing twelve months net profits for the year ended as of the Valuation Date are extracted from S&P Capital IQ.
3. The trailing twelve months recurring net profits for each of the Comparable Companies is derived as below:

Stock Ticker	Trailing Twelve Months Net Profits <i>(million)</i> <i>(a)</i>	Other Non- Operating Income/ (Expense) <i>(b)</i>	Un-usual Items Income/ (Expense) <i>(c)</i>	Earnings/ (Loss) from Discontinued Operation <i>(d)</i>	Trailing Twelve Months Recurring Net Profits <i>(a), (b), (c), (d)</i>
SEHK: 8140	20.30	3.58	1.71	–	15.01
SEHK: 2132	34.06	0.76	7.24	–	26.06
SEHK: 1489	50.83	1.28	10.66	–	38.89
SEHK: 6080	11.95	0.61	6.11	–	5.23
SEHK: 6829	16.09	(1.31)	2.38	–	15.03
SEHK: 1633	12.09	0.00	2.53	–	9.56
SEHK: 1591	10.50	0.59	1.22	–	8.68

Discount for Lack of Marketability (“DLOM”)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The trading of the Shares on the Stock Exchange has been suspended. According to Management, the Company will continue to carry on its existing principal businesses of concrete placing and other ancillary services, while at the same time the Company has been identifying potential target(s) for a reverse takeover with a view to comply with the requirements under Rule 14.54 of the Listing Rules under its resumption plan.

Considering the above situation, the expected non-marketable period would be about 6-months as estimated by the Management, and the Black-Scholes Option Model can be used to factor in the non-marketable period parameter as one of the model inputs for the quantitative analysis for DLOM.

The formula for the Black-Scholes Put Option Model for DLOM assessment is as follows:

$$P = e^{-rT} N(-d_2) - N(-d_1)$$

where:

P = put option price, in terms of percentage and representing the amount of DLOM.

r = risk-free rate

T = option life

$$d_1 = \frac{(r + \sigma^2/2)T}{\sigma \sqrt{T}}$$

$$d_2 = d_1 - \sigma \sqrt{T}$$

σ = volatility

N is the standard normal cumulative distribution

The put option value represents the DLOM percentage and it is assumed that option trades are conducted on an organized and liquid exchange, providing for efficient trading.

The parameters adopted in the Black-Scholes Put Option Model are as follows:

Parameter

Option life (T)	0.5 year
Risk-free rate ¹ (r)	3.03%
Median volatility of comparable companies ² (σ)	<u>53.3%</u>
Total	<u><u>135,722,246</u></u>

Notes:

1. Bond yield of 6 months Hong Kong government bond.
2. Annualised share price volatilities are statistical measure of the dispersion of returns for a given security measured from the standard deviation between returns from that security. In this case, the daily percentage returns of listed comparable companies are calculated, then the annualised share price volatilities are obtained by multiplying the standard deviation of the daily returns by the square root of number of trading days in a year.

Based on the formula for the Black-Scholes Put Option Model and the parameters as set out in the table above, DLOM to be adopted in this valuation is calculated to be approximately 14.1%.

6.3. Assessment of expected credit loss for receivables due from Government of Grenada

Exposure

The exposure of the balance for the receivable due from Government of Grenada as at 31 March 2023 is USD20,000,000.

Expected Credit Loss (“ECL”) Rate

Expected credit loss rates are computed in the following method:

- Assessed the credit standing of Government of Grenada with reference to the country rating conducted by Standard & Poor’s Financial Services LLC. The credit rating of Government of Grenada is Selective Default.
- With reference to the methodology of estimating recovery rates adopted by Moody’s Investors Service, the recovery rate of defaulted sovereign bonds can be estimated by making reference to the market price of defaulted bonds. It is based on the fact that the market price of a bond already in default (i.e. 100% probability of default) should have already reflected the default situation as well as the market expectation on the recoverability of the defaulted bonds.
- The market price of the sovereign bonds of Grenada should have also reflected all the available public information and news, including the transfer of the Government of Grenada, as at the Valuation Date.
- In assessing the ECL rate, we have adopted the recovery rate of 83/100, which is the market price of sovereign bonds of Grenada as quoted from S&P Capital IQ database as at the Valuation Date.
- The ECL rate for the receivable due from of Government of Grenada is derived by the formula below: $ECL\ Rate = Probability\ of\ Default\ (100\%) \times (1 - Recovery\ Rate)$

Summary for ECL:

Debtors	Exposure Amount (USD)	Expected Credit Loss (USD)	Net Book Value (USD)	Net Book Value¹ (HKD)
Ministry of Finance, Grenada	20,000,000	3,400,000	16,600,000	129,388,700

ECL Rate: 17%²

Notes:

1. by referencing the exchange rate published by Inland Revenue Department, Hong Kong
2. this methodology for ECL assessment is consistent with the methodology adopted for ECL assessment on the same receivable from Government of Grenada in previous valuation for the purpose of appraising such receivable recorded on the consolidated financial statements of the Kingdom Group as at 31 March 2022 and 30 September 2022.

Summary of Prepayment and other receivables:

Prepayment and prepaid expenses	6,420,592
Receivable due from Government of Grenada, net	<u>129,388,700</u>
 Total	 <u><u>135,809,292</u></u>

6.4. Valuation of Kingdom Group by Asset-based Approach

The asset-based approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current market value of the business or its assets. In this valuation, adjusted net asset value method is adopted.

Details of the consolidated statement of financial position of Kingdom Group as at the Valuation Date are as follows:

Assets/Liabilities	Book Value (HKD)	Adjustments (HKD)	Market Value (HKD)
Non-Current Assets			
Property, plant and equipment	434,098	–	434,098
Current Assets			
Prepayment and other receivables	135,809,292	–	135,809,292
Cash and cash equivalents	155,897,838	–	155,897,838
Current Liabilities			
Trade and other payables	(30,122,039)	–	(30,122,039)
Amount due to the Group	(360,922,819)	298,751,998 ¹	<u>(62,170,822)</u>
Net Asset Value			<u><u>199,848,367</u></u>

Note:

1. The adjustment relates to the proposed capitalisation of the intercompany fund advanced from the Group to Kingdom Group, details of which are set out under paragraph headed “Amount due to the Group” in this section below.

We have made enquiries to the Management on the details of the nature, breakdown and respective supporting of the balance sheet items of Kingdom Group, gained an understanding of these balance sheet items necessary for us to appraise their respective market value and reviewed the respective supporting documents provided by the Management. Having considered the sources of the information as set out under paragraph headed “4. Sources of Information” in this announcement above in addition to the work performed by the us, including inspecting the documentations supporting the balance sheet items of Kingdom Group provided by the Management, we have not identified any reasons and/or factors which would render the historical financial information of the Group and the Kingdom Group used in the Valuation Report inappropriate as a basis to assess the appraised value and during the course of our work, we have not come across any material discrepancies or matters which would affect our assumptions applied under the valuation. On this basis, save for the adjustment related to the proposed capitalisation of an amount due to the Group further detailed below, we are of the view that the respective book value of the balance sheet items as set out above fairly represent the market value.

According to the auditor of Kingdom Group, the audit work for the financial information of the Kingdom Group for the year ended 31 March 2023 has been substantially performed and it is expected that there will be no material revision in the book values as stated in the financial statements of Kingdom Group when the audit is completed.

Assessment on Assets and Liabilities

Assets

Property, plant and equipment

Property, plant and equipment (“**PPE**”) is mainly referring to the furniture, fixture and office equipment. These assets are purchased from external third parties on arm’s length basis and have been depreciated in accordance with Kingdom Group’s depreciation policies. We have been provided the list of PPE, cost, accumulated depreciation and net book values of the PPE items, we have inspected the calculation of net book values and the reasonableness of the depreciation period, its net book value is considered to be fairly close to the respective market value as of the Valuation Date.

Prepayment and other receivables

Prepayment and other receivables mainly represent (i) Prepayment and prepaid expenses, and (ii) Amount due from Government of Grenada. The nature of prepayment and prepaid expenses are referred to the deposit of electricity and rent and marketing agent fees. We have inspected the breakdown and aging for the deposit amount, and considering the prepaid nature of such items, its net book value is deemed to have closely reflected its market value without any discount or premium to be applied. For the Amount due from Government of Grenada, it has been assessed for the aforementioned expected credit losses as of the Valuation Date.

Cash and cash equivalents

Cash and the bank balances represent liquid cash with no restriction nor limitation on its usage. We have inspected the bank statement provided by the Management, and its book value is deemed to have fully reflected its market value.

Liabilities

Trade and other payables

Trade and other payables represent the accrued expenses to the construction liability, salary expenses and the deferred income. We have been provided the detail breakdown and respective aging of the payables, and confirmed with the Management that such expenses and deferred income would be settled and recognized within one year's period. Given the current in nature of the Trade and other payables, its net book value is deemed to have reflected its market value without any discount or premium to be applied.

Amount due to the Group

Amount due to the Group of approximately HK\$360.9 million represents the outstanding intercompany fund advanced from ultimate holding company which are unsecured and interest-free. Since the amount is considered to be partially equity capital contribution made by the Group for the development of the project in Grenada, the Group propose to capitalise the amount of approximately HK\$298.8 million as equity prior to the share buy-back offer, while the remaining balance of HK\$62.2 million will be payable to the Group after the close of the share buy-back offer.

6.5. Summary of Kingdom Group Valuation

Details of the 100% equity interest of Kingdom Group as at the Valuation Date are as follows:

	<i>HKD</i>
Current Assets	291,707,130
Non-current Assets	<u>434,098</u>
Total Assets	291,141,228
Current Liabilities	(92,292,861)
Non-current Liabilities	<u>–</u>
Total Liabilities	<u><u>(92,292,861)</u></u>
Net Asset Value (100%)	199,848,367
Market Value of Kingdom Group (in HKD Million)	199.85

6.6. Summary of the Group Valuation

Details of the 100% equity interest of the Group as at the Valuation Date are as follows:

	<i>HKD</i> <i>in Million</i>
100% Equity Value Derived from:	
P/E Ratio	12.22 x
Actual Earnings for the 12 months ended 30 September 2022	40.61 ¹
Implied Market Cap (rounded)	496.06
DLOM (14.1% discount)	<u>(69.89)</u>
Value of Core Business	426.16
Add: Market Value (Net Asset Value) of Kingdom Group	199.85
Add: Amount Due from Kingdom Group to the Group	<u>62.17²</u>
Market Value of 100% Equity Interest of the Group (rounded)	<u><u>688</u></u>

Notes:

1. The amount represents earnings of the Group arising from the Core Business, excluding non-operating income (expense), non-recurring items and earnings (loss) from discontinued operation.
2. At the Kingdom Group level, the “Amount due from Kingdom Group to the Group” is a liability and is therefore deducted from its net asset value. At the Group level, such amount is an asset, thus is added back when appraising the market value of 100% equity interest of the Company.

7. LIMITING CONDITIONS

Our valuation is confidential to you, for your sole use and for the specific purpose stated.

We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered.

No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

8. VALUATION CONCLUSION

In our opinion, on the basis of the assumption and information made available to us, the market value of 100% Equity Interest of Chong Kin Group Holdings Limited as at 31 March 2023 is reasonably estimated at:

HKD688,000,000
(HONG KONG DOLLARS SIX HUNDRED AND EIGHTY-EIGHT MILLION)

Yours faithfully,
for and on behalf of

Vincorn Consulting and Appraisal Limited

Freddie Chan
BBA-FIN (Hons)
CFA ACCA FRM MRICS RICS
Registered Valuer
Executive Director

Vincent Cheung
BSc(Hons) MBA FRICS MHKIS RPS(GP)
MCIREA
MHKSI MISC MHIRESA FHKIoD
RICS Registered Valuer
Registered Real Estate Appraiser and
Agent PRC
Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 25 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

Freddie Chan is a CFA® charterholder, an Association of Chartered Certified Accountants (ACCA®) charterholder a FRM® charterholder, a Member of the Royal Institution of Chartered Surveyors (MRICS®) and Registered Valuer of the Royal Institution of Chartered Surveyors, who expertizes in corporate and intangible valuation sector. He has over 13 years of professional experiences in banking, finance, corporate advisory and valuation experiences. His experience on valuations covers Hong Kong, Mainland China, Australia, United States, Europe and other overseas countries.

APPENDIX II – LETTER FROM RED SUN CAPITAL LIMITED



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F.
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

28 April 2023

The Board of Directors

Chong Kin Group Holdings Limited
Room 6807–8, 68th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We refer to the announcement dated 28 April 2023 (the “**Announcement**”) issued by Chong Kin Group Holdings Limited (the “**Company**”), of which this letter forms part, and the valuation report dated 28 April prepared by Vincorn Consulting and Appraisal Limited (the “**Valuation Report**”), an independent valuer engaged by the Company (the “**Independent Valuer**”) in respect of the valuation of the 100% equity interest of Chong Kin Group Holdings Limited (the “**Valuation**”). An extract of the Valuation Report is included in Appendix I to the Announcement. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Announcement.

This letter is issued in compliance with the requirement under Rule 11.1(b) of the Takeovers Code. We have reviewed the Valuation Report and discussed with the management of the Company and the Independent Valuer regarding the Valuation, including, in particular, the valuation methodologies, the qualifications, the bases and assumptions adopted in the Valuation Report and the reasons thereof.

The key responsible valuers for the Valuation Report are Mr. Vincent Cheung and Mr. Freddie Chan. We have conducted reasonable checks and assessment of the relevant qualification, experience and expertise of the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan, including the review of the professional licences and other supporting documents of the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan, and discussing with representatives of the Independent Valuer the qualifications and experience of Mr. Vincent Cheung and Mr. Freddie Chan and the Independent Valuer and confirm that their qualifications and experience meet the applicable legal and regulatory requirements for issuing the Valuation Report.

We have not independently verified the computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the value of the Company. We have assumed that all information, materials and representations provided to us by the Company and the Independent Valuer, including all information, materials, and representations referred to or contained in the Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Valuation Report. We and our respective director and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the foregoing, nor will we, our respective director and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Buy-back offer. Shareholders are recommended to read all information as set out in the Announcement and the Offer Document to be despatched.

On the basis of the foregoing, we are of the opinion that the bases and assumptions adopted in the Valuation Report have been made by the Independent Valuer after due care and consideration. We are also satisfied that the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan are suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

Yours faithfully,
For and on behalf of
RED SUN CAPITAL LIMITED
Lewis Lai
Managing Director